

**TOWNSHIP OF ATLAS**

**Genesee County, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**March 31, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Atlas</b>	County <b>Genesee</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>6/10/04</b>	Date Accountant Report Submitted to State: <b>8/20/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

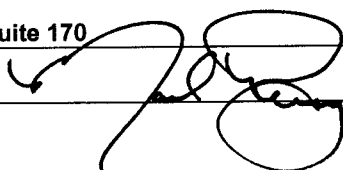
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Yeo &amp; Yeo, P.C.</b>			
Street Address <b>6639 Centurion Drive, Suite 170</b>	City <b>Lansing</b>	State <b>MI</b>	ZIP <b>48917</b>
Accountant Signature 			

**Township Board Members**

Paul Amman

Teresa Onica

Ann Marie Slagle

Emery Bennett

Scott Statson

Supervisor

Clerk

Treasurer

Trustee

Trustee

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## Independent Auditors' Report

To the Board  
Township of Atlas  
Genesee County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Atlas, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of general fixed assets and, accordingly, the general purpose financial statements referred to above, do not include the General Fixed Asset Account Group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects on the financial statements for the omission described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Atlas, Michigan, at March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Atlas, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Lansing, Michigan  
June 10, 2004

**Township of Atlas**  
**Combined Balance Sheet**  
**All Funds and Account Groups**  
**March 31, 2004**

	Governmental Funds				Account Group	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	General Long-term Debt	Reporting Entity
Assets and other debits						
Cash and cash equivalents	\$ 1,480,839	\$ 895,984	\$ 70,652	\$ 106,635	\$ -	\$ 2,554,110
Receivables						
Accounts	-	45,187	-	-	-	45,187
Taxes	14,334	-	1,287	-	-	15,621
Special assessments	14,987	-	191,306	-	-	206,293
Grant	-	-	-	-	-	-
Due from other funds	116,242	263	106,635	-	-	223,140
Due from other governmental units	53,569	-	-	-	-	53,569
Deferred charge	7,535	-	-	-	-	7,535
Amount available in debt service fund	-	-	-	-	175,730	175,730
Amount to be provided for retirement of general long-term debt	-	-	-	-	563,270	563,270
Total assets	<u>\$ 1,687,506</u>	<u>\$ 941,434</u>	<u>\$ 369,880</u>	<u>\$ 106,635</u>	<u>\$ 739,000</u>	<u>\$ 3,844,455</u>
Liabilities and Fund Equity						
Liabilities						
Accounts payable	\$ 31,812	\$ 106,428	\$ 5,347	\$ -	\$ -	\$ 143,587
Accrued expenses	28,758	-	-	-	-	28,758
Due to other local governments	164,692	-	-	-	-	164,692
Due to other funds	-	116,505	-	106,635	-	223,140
Deferred revenue	-	-	188,803	-	-	188,803
General obligation bonds	-	-	-	-	480,000	480,000
Revenue bonds	-	-	-	-	259,000	259,000
Total liabilities	<u>225,262</u>	<u>222,933</u>	<u>194,150</u>	<u>106,635</u>	<u>739,000</u>	<u>1,487,980</u>
Fund Equity						
Fund balance						
Reserved	-	718,501	175,730	-	-	894,231
Unreserved - designated	349,824	-	-	-	-	349,824
Unreserved - undesignated	1,112,420	-	-	-	-	1,112,420
Total fund equity	<u>1,462,244</u>	<u>718,501</u>	<u>175,730</u>	<u>-</u>	<u>-</u>	<u>2,356,475</u>
Total liabilities and fund equity	<u>\$ 1,687,506</u>	<u>\$ 941,434</u>	<u>\$ 369,880</u>	<u>\$ 106,635</u>	<u>\$ 739,000</u>	<u>\$ 3,844,455</u>

See accompanying notes to financial statements

**Township of Atlas**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Funds**  
**For the Year Ended March 31, 2004**

	Governmental Funds				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Reporting Entity
Revenues					
Taxes	\$ 297,545	\$ 523,325	\$ -	\$ -	\$ 820,870
Garbage collection fees	253,705	-	-	-	253,705
Special assessments	-	17,646	47,368	-	65,014
Licenses and permits	60,755	-	-	-	60,755
Federal grant revenue	-	45,857	-	-	45,857
State shared revenue	397,785	-	-	-	397,785
Charges for services	14,170	33,498	-	-	47,668
Fines and forfeitures	16,352	8,671	-	-	25,023
Interest	12,431	6,072	11,989	-	30,492
Other revenue	41,172	6,973	-	-	48,145
Total revenues	1,093,915	642,042	59,357	-	1,795,314
Expenditures					
General government	411,036	-	-	-	411,036
Public safety	71,194	558,679	-	-	629,873
Public works	417,587	40,948	-	-	458,535
Recreation and culture	7,455	-	-	-	7,455
Debt service					
Principal retirement	-	-	485,000	-	485,000
Interest and fiscal charges	-	-	71,902	-	71,902
Refunding bond issuance costs	-	-	17,442	-	17,442
Total expenditures	907,272	599,627	574,344	-	2,081,243
Excess (deficiency) of revenues over expenditures	186,643	42,415	(514,987)	-	(285,929)
Other financing sources (uses)					
Proceeds of refunding bonds	-	-	445,000	-	445,000
Operating transfers from other funds	-	-	128,680	-	128,680
Operating transfers to other funds	-	(90,915)	-	(37,765)	(128,680)
Total other financing sources (uses)	-	(90,915)	573,680	(37,765)	445,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	186,643	(48,500)	58,693	(37,765)	159,071
Fund balance - beginning	1,275,601	767,001	117,037	37,765	2,197,404
Fund balance - ending	\$ 1,462,244	\$ 718,501	\$ 175,730	\$ -	\$ 2,356,475

See accompanying notes to financial statements

**Township of Atlas**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General and Special Revenue Funds**  
**For the Year Ended March 31, 2004**

	General Fund			Special Revenue Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>Revenues</b>						
Taxes	\$ 281,794	\$ 297,545	\$ 15,751	\$ 420,559	\$ 523,325	\$ 102,766
Garbage collection fees	242,500	253,705	11,205	-	-	-
Special assessments	-	-	-	-	17,646	17,646
Licenses and permits	55,100	60,755	5,655	-	-	-
Federal grant revenue	-	-	-	-	45,857	45,857
State shared revenue	378,000	397,785	19,785	-	-	-
Charges for services	12,500	14,170	1,670	33,500	33,498	(2)
Fines and forfeits	12,000	16,352	4,352	6,000	8,671	2,671
Interest	7,650	12,431	4,781	16,000	6,072	(9,928)
Other revenue	15,000	41,172	26,172	288,573	6,973	(281,600)
<b>Total revenues</b>	<b>1,004,544</b>	<b>1,093,915</b>	<b>89,371</b>	<b>764,632</b>	<b>642,042</b>	<b>(122,590)</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	461,644	411,036	(50,608)	-	-	-
Public safety	90,500	71,194	(19,306)	551,138	558,679	7,541
Public works	446,900	417,587	(29,313)	180,000	40,948	(139,052)
Recreation and culture	5,500	7,455	1,955	-	-	-
<b>Total expenditures</b>	<b>1,004,544</b>	<b>907,272</b>	<b>(97,272)</b>	<b>731,138</b>	<b>599,627</b>	<b>(131,511)</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>186,643</b>	<b>186,643</b>	<b>33,494</b>	<b>42,415</b>	<b>(8,921)</b>
<b>Other Financing Sources (Uses)</b>						
Operating transfers from other funds	-	-	-	23,000	-	(23,000)
Operating transfers to other funds	-	-	-	(56,494)	(90,915)	34,421
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,494)</b>	<b>(90,915)</b>	<b>57,421</b>
<b>Excess of revenues and other financing sources over expenditures and other financing (uses)</b>	<b>-</b>	<b>186,643</b>	<b>186,643</b>	<b>-</b>	<b>(48,500)</b>	<b>(48,500)</b>
<b>Fund balance - beginning</b>	<b>1,275,601</b>	<b>1,275,601</b>	<b>-</b>	<b>767,001</b>	<b>767,001</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,275,601</b>	<b>\$ 1,462,244</b>	<b>\$ 186,643</b>	<b>\$ 767,001</b>	<b>\$ 718,501</b>	<b>\$ (48,500)</b>

See accompanying notes to financial statements



**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Atlas (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**(a) THE REPORTING ENTITY**

The Township of Atlas has implemented GASB Statement No. 14, *The Financial Reporting Entity* and *Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, the ability to exert significant influence on operations.

Blended Component Unit

Atlas Township Building Authority (the "Building Authority") - The Building Authority is governed by a Board that is appointed by the Township supervisor. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The financial statements of the Building Authority are consolidated with the financial statements of the Township as follows:

- a. The assets of the Building Authority held for payment of the outstanding bond issue are reported in the Debt Service Funds.
- b. Fixed asset records (Township hall and fire station) of the Building Authority are currently not maintained.
- c. Remaining amounts due on bonds issued by the Building Authority are reported in the General Long-term Debt Account Group.

**(b) FUND ACCOUNTING**

The accounts of the Township of Atlas are organized on the basis of funds or an account group, each of which is considered a separate accounting fund. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised of its assets, liabilities, fund balance, revenues, and expenditures. The various funds and account group are displayed in the financial statements into four generic fund types as follows:

GOVERNMENTAL FUNDS

**GENERAL FUND** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

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**SPECIAL REVENUE FUNDS** - The proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes are accounted for in special revenue funds.

**DEBT SERVICE FUNDS** - Debt Service Funds record the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**CAPITAL PROJECTS FUND** - Financial resources to be used for the acquisition or construction of major capital facilities and infrastructure are recorded in Capital Projects Funds.

**ACCOUNT GROUP**

**GENERAL LONG-TERM DEBT ACCOUNT GROUP** - All long-term indebtedness is accounted for in the General Long-Term Debt Account Group.

**(c) BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Regardless of the measurement focus applied, basis of accounting relates to the timing of the measurements made.

All Governmental Funds are accounted for using a current financial resources measurement focus. Only current assets and liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for all Governmental Funds. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenues susceptible to accrual include property taxes, interest earnings, reimbursement-type grants, and reimbursements for use of materials or services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on general long-term debt which is recognized when due.

The Township reports deferred revenue on its combined balance sheet. Deferred revenue occurs when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Township before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**(d) BUDGETS AND BUDGETARY ACCOUNTING**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study for Capital Projects Funds of townships prior to the expenditure of monies in a fiscal year.

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

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The appropriation level adopted by the Township Board is the level of control authorized under the Act. The Act requires expenditures be budgeted on a functional basis. A township is not considered to be in violation of the Act if reasonable procedures are in use by the township to detect violations. Expenditures in violation of the Act are disclosed as being over budget on the combined statement of revenues, expenditures, and changes in fund balance – budget to actual – general and special revenue funds.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor is required to submit to the Township Board a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments.
2. Prior to March 31, the budget was legally enacted through passage of a resolution.
3. The Township supervisor is authorized to transfer budget small amounts (no specified limit) between departments within any fund with subsequent Board ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Board. Annual appropriations lapse at fiscal year end.
4. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations. The Township did not prepare a budget for the Atlas Meadows Septic Fund as required, therefore these budget amounts are not reflected on page 19 of this report.

**(e) RECEIVABLES**

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

**(f) ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

**(g) LONG-TERM LIABILITIES**

Because of their spending focus, expenditure recognition for governmental funds excludes amounts represented by non-current liabilities. Long-term debts or liabilities that are financed from governmental funds are accounted for in the General Long-term Debt Account Group.

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

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The General Long-Term Debt Account Group is not a "fund". The Group only measures financial position, not the results of operations.

**(h) INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances are paid off periodically throughout the year. At March 31, 2004, interfund balances existed among a majority of the funds of the Township. These balances consist generally of amounts due for services provided by other funds, unreimbursed expenditures, and other charges for allocations of revenues or expenditures.

**(i) PROPERTY TAXES**

Taxes are levied for the Township on December 1. The Township bills and collects its own property taxes. Property taxes not paid to the Township treasurer by the final due date in February are turned over to the Genesee County treasurer. The County has purchased the delinquent taxes of the Township and normally remits the taxes to the Township during June of the subsequent fiscal year. Property tax receivable related to delinquent taxes are also deferred unless collected within sixty days of year end.

The assessed taxable valuation for the Township for the 2003 tax levy was as follows:

Real Personal Property	\$ 251,663,335
Personal Property	12,751,959

The Township levied a tax millage for operations, fire, and police totaling 2.7864 mills.

**(j) TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in the columns do not present financial position, results of operations in conformity with accounting principles generally accepted in the United States of America. The data are not comparable to a consolidation. Interfund eliminations have not been made.

**(k) CASH EQUIVALENTS**

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Township is restricted by State statute to invest its surplus funds in the following investments: certificates of deposit, savings accounts and deposit accounts with banks which are members of FDIC, savings and loan associations which are insured by the FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the United States; commercial paper rated within the three highest classifications established; securities issued or guaranteed by agencies or instrumentalities of the United States; United States Government or federal agency obligation repurchase agreements composed of eligible collateral whose market value must be maintained equal to or greater than the amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investment pools that are composed entirely of the aforementioned investments that are legal for direct investment by a Township.

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

At year end, bank deposits and cash equivalents held by the Township are summarized as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
Amount insured by federal depository insurance	\$ 100,000	\$ 100,000
Uncollateralized and uninsured	<u>2,460,451</u>	<u>2,454,110</u>
Total	<u>\$ 2,560,451</u>	<u>\$ 2,554,110</u>

**NOTE 3 - PENSION PLAN**

The Township of Atlas has a defined benefit pension plan covering certain full-time salaried employees, except for volunteer firemen and seasonal employees. Employees are eligible to participate from the date of employment.

**(a) PLAN DESCRIPTION**

The defined benefit plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan  
447 Canal Road  
Lansing, MI 48917

**(b) FUNDING POLICY**

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

As established by the Township Board, the Township contributes a flat rate based on employee's annual compensation. In accordance with these requirements, the Township contributed \$ 4,500 during the current year and employees contributed \$ 0. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested as they are entered into the plan.

The following table discloses pertinent information relative to MERS funding for the three-year period beginning April 1, 2001 through March 31, 2004.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total township, payroll	\$ 310,356	\$ 231,342	\$ 252,605
Total covered payroll	124,438	126,652	122,976
Township contributions	4,500	4,500	4,500

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 4 - CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government and the blended component unit for the period ended March 31, 2004:

	General Obligation Bonds	Special Assessment and Revenue Bonds	Total
April 1, 2003	\$ 475,000	\$ 304,000	\$ 779,000
Additions	445,000	-	445,000
Payments	(30,000)	(45,000)	(75,000)
Refunded	(410,000)	-	(410,000)
March 31, 2004	<u>\$ 480,000</u>	<u>\$ 259,000</u>	<u>\$ 739,000</u>

Long-term debt at March 31, 2004, is comprised of the following individual issues:

**GENERAL LONG-TERM DEBT**

Primary Government

1999 Green Ridge Road Paving Bond issue of \$ 360,000 is due in annual installments of \$ 35,000 to \$ 40,000 plus interest through 2009, interest at 3.85% to 4.40%. \$ 220,000

1999 East Lake Road Paving Bond issue of \$ 57,000 is due in annual installments of \$ 5,000 to \$ 8,000 plus interest through 2009, interest at 7.70%. 39,000

Primary government general long-term debt 259,000

Blended Component Units

1993 Building Authority - Fire Hall bond issue of \$ 675,000 final installment of \$ 35,000 plus interest due April 26, 2004, interest at 5.00%. 35,000

2004 Building Authority - Fire Hall refunding bond issue of \$ 445,000 is due in annual installments of \$ 40,000 to \$ 60,000 plus interest through 2013, interest from 2.00% to 4.00%. 445,000

Blended component units general long-term debt 480,000

Total general long-term debt \$ 739,000

The annual requirements to pay future principal and interest are as follows:

Year Ending March 31,	Principal	Interest	Total
2005	\$ 75,000	\$ 22,518	\$ 97,518
2006	81,000	23,484	104,484
2007	86,000	20,754	106,754
2008	87,000	17,884	104,884
2009	92,000	14,744	106,744
2010-2013	318,000	28,198	346,198
	<u>\$ 739,000</u>	<u>\$ 127,582</u>	<u>\$ 866,582</u>

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 5 - DEBT REFUNDING**

On January 17, 2004, the Township issued \$ 445,000 in general obligation bonds with an interest rate ranging from 2.00% to 4.00% to advance refund \$ 410,000 of 1993 Building Authority Fire Hall Bonds with interest rates ranging from 2.70% to 5.60%. The general obligation bonds were issued at a discount of \$ 1,019 and, after paying issuance costs of \$ 17,442, the net proceeds were \$ 426,539. The net proceeds were used to refund the 1993 Building Authority Fire Hall Bonds at 102% of the redemption price. Accordingly \$ 410,000 of bonds were removed from the General Long-Term Debt Account Group. The transaction resulted in an economic gain of \$ 17,750 and a reduction of \$ 19,047 in future debt service payments.

**NOTE 6 - INTERFUND ACTIVITY AND BALANCES**

Interfund transfers were made during the year ended March 31, 2004, from the Special Revenue Funds to the Debt Service Funds, totaling \$ 90,915, to provide resources for meeting annual debt service requirements. Interfund transfers were also made from the Capital Projects Funds to the Debt Service Funds, totaling \$ 37,765, to transfer funds remaining upon the completion of the projects.

Interfund receivables and payables of the individual funds at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Purpose</u>
General Fund	\$ 116,242	\$ -	Reimbursement of wages paid for the Fire Protection Fund and the reimbursement of contracted services paid for the Atlas Meadows Septic Fund
Special Revenue Funds			
Fire Protection Fund	-	99,005	Reimbursement of wages paid by the General Fund; undistributed taxes collected by the General Fund
Police Administrative Board	263		Undistributed taxes collected by the General Fund
Atlas Meadows Septic Fund	-	17,500	Reimbursement for contracted services paid by the General Fund
Debt Service Funds			
1999 Green Ridge Paving Assessment	106,635	-	Reimbursement of amounts paid for Capital Projects Fund
Capital Projects Fund			
Green Ridge Paving Capital Project	-	106,635	Reimbursement of amounts paid by the Debt Service Fund
	<u>\$ 223,140</u>	<u>\$ 223,140</u>	

**NOTE 7 - RISK MANAGEMENT**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages risk through the purchase of commercial insurance.

**Township of Atlas**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 8 – FUND EQUITY RESERVATIONS**

Certain reservations of fund equity have been made and are as follows:

<u>Fund</u>	<u>Reserve</u>	<u>Description</u>
Building Authority – Fire Hall	\$ 39,396	Reserve for debt service
East Lake Paving Assessment Debt Fund	25,909	Reserve for debt service
Green Ridge Paving Assessment Debt Fund	110,425	Reserve for debt service
Special Revenue Funds:		
Fire Protection Fund	350,582	Reserve for fire protection
Police Administrative Board Fund	271,346	Reserve for police protection
Sewer Receiving Fund	96,425	Reserve for sewer maintenance
Atlas Meadows Septic Fund	148	Reserve for maintenance

**NOTE 9 – FUND EQUITY DESIGNATIONS**

<u>Fund</u>	<u>Designation</u>	<u>Description</u>
General Fund	\$ 151,835	Designated for working capital purposes
General Fund	197,989	Reserve for future operations

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The Township has received grants and assistance from various sources for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants and aid agreements, the Township believes any resulting adjustments would be immaterial.

In addition, the Township has entered into a contract for policing services through September 30, 2004. The potential remaining balance on the contract is \$ 179,939 at March 31, 2004.

**NOTE 11 - CHANGES IN FINANCIAL REPORTING**

The Government Accounting Standards Board (GASB) has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Township's revenue and expenditure recognition as well as its assets, liabilities and fund equity reporting. The new standard also will require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.



**Township of Atlas**  
**General Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2004**

	Budget	Actual	Over (Under) Budget
Revenues			
Taxes	\$ 281,794	\$ 297,545	\$ 15,751
Garbage collection fees	242,500	253,705	11,205
Licenses and permits	55,100	60,755	5,655
State shared revenue	378,000	397,785	19,785
Charges for services	12,500	14,170	1,670
Fines and forfeitures	12,000	16,352	4,352
Interest	7,650	12,431	4,781
Other revenue	15,000	41,172	26,172
Total revenue	1,004,544	1,093,915	89,371
Expenditures			
General government			
Legislative	179,238	165,554	(13,684)
Executive	38,718	33,698	(5,020)
Elections	3,500	3,400	(100)
Finance and tax administration	50,500	46,238	(4,262)
Attorney	50,000	25,821	(24,179)
Clerk	43,844	44,756	912
Treasurer	44,344	45,204	860
Township hall and grounds	50,500	46,170	(4,330)
Cemetery	1,000	195	(805)
Total general government	461,644	411,036	(50,608)
Public safety			
Building inspection	55,500	51,196	(4,304)
Planning commission	35,000	19,998	(15,002)
Total public safety	90,500	71,194	(19,306)
Public works			
Department of public works	20,000	36,363	16,363
Solid waste	207,500	208,939	1,439
Aquatic weed control	39,400	37,822	(1,578)
Highways, streets and bridges	180,000	134,463	(45,537)
Total public works	446,900	417,587	(29,313)
Recreation and culture			
Library	5,500	7,455	1,955
Total expenditures	1,004,544	907,272	(97,272)
Excess of revenues over expenditures	-	186,643	186,643
Fund balance - beginning	1,275,601	1,275,601	-
Fund balance - ending	\$ 1,275,601	\$ 1,462,244	\$ 186,643

**Township of Atlas**  
**Special Revenue Funds**  
**Combining Balance Sheet**  
**March 31, 2004**

	Fire Protection Fund	Police Administrative Board	Sewer Receiving Fund	Atlas Meadows Septic Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 438,402	\$ 352,726	\$ 94,266	\$ 10,590	\$ 895,984
Accounts receivable	17,344	17,544	3,241	7,058	45,187
Grant receivable	-	263	-	-	263
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 455,746</u>	<u>\$ 370,533</u>	<u>\$ 97,507</u>	<u>\$ 17,648</u>	<u>\$ 941,434</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,159	\$ 99,187	\$ 1,082	\$ -	\$ 106,428
Due to other funds	99,005	-	-	17,500	116,505
Total liabilities	<u>105,164</u>	<u>99,187</u>	<u>1,082</u>	<u>17,500</u>	<u>222,933</u>
<b>Fund balance</b>					
Reserved	<u>350,582</u>	<u>271,346</u>	<u>96,425</u>	<u>148</u>	<u>718,501</u>
Total fund balance	<u>350,582</u>	<u>271,346</u>	<u>96,425</u>	<u>148</u>	<u>718,501</u>
Total liabilities and fund balance	<u>\$ 455,746</u>	<u>\$ 370,533</u>	<u>\$ 97,507</u>	<u>\$ 17,648</u>	<u>\$ 941,434</u>

**Township of Atlas**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended March 31, 2004**

	Fire Protection Fund	Police Administrative Board	Sewer Receiving Fund	Atlas Meadows Septic Fund	Totals
Revenues					
Taxes	\$ 259,660	\$ 263,665	\$ -	\$ -	\$ 523,325
Federal grant revenue	45,857	-	-	-	45,857
Special assessments	-	-	-	-	-
Charges for services	204	-	33,294	17,646	17,646
Fines and forfeitures	-	8,671	-	-	33,498
Interest revenues	2,574	2,873	623	-	8,671
Other revenues	6,505	468	-	2	6,072
Total revenues	314,800	275,677	33,917	17,648	642,042
Expenditures					
Public safety	213,177	345,502	-	-	558,679
Public works	-	-	23,448	17,500	40,948
Total expenditures	213,177	345,502	23,448	17,500	599,627
Excess (deficiency) of revenues over expenditures	101,623	(69,825)	10,469	148	42,415
Other Financing Uses					
Operating transfers to other funds	(90,915)	-	-	-	(90,915)
Excess (deficiency) of revenues over expenditures and other financing uses	10,708	(69,825)	10,469	148	(48,500)
Fund balance - beginning	339,874	341,171	85,956	-	767,001
Fund balance - ending	\$ 350,582	\$ 271,346	\$ 96,425	\$ 148	\$ 718,501

**Township of Atlas**  
**Fire Protection Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2004**

	Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 213,887	\$ 259,660	\$ 45,773
Federal grant revenue	-	45,857	45,857
Charges for services	9,500	204	(9,296)
Interest revenue	3,000	2,574	(426)
Other revenue	64,357	6,505	(57,852)
Total revenues	290,744	314,800	24,056
Expenditures			
Public Safety			
Personnel services	65,000	100,066	35,066
Supplies and materials	11,500	4,785	(6,715)
Other services and charges	54,000	52,279	(1,721)
Capital outlay	103,750	56,047	(47,703)
Total expenditures	234,250	213,177	(21,073)
Excess of revenues over expenditures	56,494	101,623	45,129
Other Financing Uses			
Operating transfers to other funds	(56,494)	(90,915)	(34,421)
Excess of revenues over expenditures and other financing uses	-	10,708	10,708
Fund balance - beginning	339,874	339,874	-
Fund balance - ending	\$ 339,874	\$ 350,582	\$ 10,708

**Township of Atlas**  
**Police Administrative Board**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2004**

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	Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 206,672	\$ 263,665	\$ 56,993
Fines and forfeitures	6,000	8,671	2,671
Interest revenue	10,000	2,873	(7,127)
Other revenue	94,216	468	(93,748)
Total revenues	316,888	275,677	(41,211)
Expenditures			
Public Safety			
Supplies and materials	-	862	862
Contracted services	312,588	342,501	29,913
Other services and charges	4,300	2,139	(2,161)
Total expenditures	316,888	345,502	28,614
Deficiency of revenues over expenditures	-	(69,825)	(69,825)
Fund balance - beginning	341,171	341,171	-
Fund balance - ending	<u>\$ 341,171</u>	<u>\$ 271,346</u>	<u>\$ (69,825)</u>

**Township of Atlas**  
**Sewer Receiving Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2004**

	Budget	Actual	Over (Under) Budget
Revenues			
Charges for services	\$ 24,000	\$ 33,294	\$ 9,294
Interest revenue	3,000	623	(2,377)
Other revenue	130,000	-	(130,000)
Total revenues	157,000	33,917	(123,083)
Expenditures			
Public works			
Other services and charges	180,000	23,448	(156,552)
Excess (deficiency) of revenues over expenditures	(23,000)	10,469	33,469
Other Financing Sources			
Operating transfers from other funds	23,000	-	(23,000)
Excess of revenues and other financing sources over expenditures	-	10,469	10,469
Fund balance - beginning	85,956	85,956	-
Fund balance - ending	\$ 85,956	\$ 96,425	\$ 10,469

**Township of Atlas**  
**Atlas Meadows Septic Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2004**

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	Budget	Actual	Over (Under) Budget
Revenues			
Special assessments	\$ -	\$ 17,646	\$ 17,646
Interest revenue	-	2	2
Total revenues	-	17,648	17,648
Expenditures			
Public works			
Contracted services	-	17,500	17,500
Excess of revenues over expenditures	-	148	148
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ 148	\$ 148

**Township of Atlas**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**March 31, 2004**

	Building Authority - Fire Hall	East Lake Paving Assessment	West Thread Paving Assessment	Green Ridge Paving Assessment	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 39,396	\$ 25,909	\$ 5,347	\$ -	\$ 70,652
Taxes receivable	-	-	-	1,287	1,287
Due from other funds	-	-	-	106,635	106,635
Special assessment receivable	-	24,099	-	167,207	191,306
<b>Total assets</b>	<b>\$ 39,396</b>	<b>\$ 50,008</b>	<b>\$ 5,347</b>	<b>\$ 275,129</b>	<b>\$ 369,880</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 5,347	\$ -	\$ 5,347
Deferred revenue	-	24,099	-	164,704	188,803
<b>Total liabilities</b>	<b>-</b>	<b>24,099</b>	<b>5,347</b>	<b>164,704</b>	<b>194,150</b>
<b>Fund balance</b>					
Reserved	39,396	25,909	-	110,425	175,730
<b>Total liabilities and fund balance</b>	<b>\$ 39,396</b>	<b>\$ 50,008</b>	<b>\$ 5,347</b>	<b>\$ 275,129</b>	<b>\$ 369,880</b>



**Township of Atlas**  
**Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended March 31, 2004**

	Building Authority - Fire Hall	East Lake Paving Assessment	West Thread Paving Assessment	Green Ridge Paving Assessment	Total
Revenues					
Special assessments	\$ -	\$ 5,583	\$ 779	\$ 41,006	\$ 47,368
Interest	3	1,564	21	10,401	11,989
Total revenues	3	7,147	800	51,407	59,357
Expenditures					
Debt service					
Principal retirement	440,000	5,000	5,000	35,000	485,000
Interest and fiscal charges	42,598	6,030	923	22,351	71,902
Refunding bond issuance costs	17,442	-	-	-	17,442
Total expenditures	500,040	11,030	5,923	57,351	574,344
Deficiency of revenues over expenditures	(500,037)	(3,883)	(5,123)	(5,944)	(514,987)
Other Financing Sources (Uses)					
Proceeds of refunding bonds	445,000	-	-	-	445,000
Operating transfers from other funds	90,915	16,641	-	21,124	128,680
Total other financing sources (uses)	535,915	16,641	-	21,124	573,680
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	35,878	12,758	(5,123)	15,180	58,693
Fund balance - beginning	3,518	13,151	5,123	95,245	117,037
Fund balance - ending	\$ 39,396	\$ 25,909	\$ -	\$ 110,425	\$ 175,730

**Township of Atlas  
Capital Project Funds  
Combining Balance Sheet  
March 31, 2004**

Assets	East Lake Paving Capital Project	Green Ridge Paving Capital Project	Total
Cash and cash equivalents	\$ -	\$ 106,635	\$ 106,635
Liabilities and Fund Balance			
Liabilities			
Due to other funds	\$ -	\$ 106,635	\$ 106,635
Fund balance			
Reserved	-	-	-
Total liabilities and fund balance	\$ -	\$ 106,635	\$ 106,635

**Township of Atlas**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended March 31, 2004**

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	East Lake Paving Capital Project	Green Ridge Paving Capital Project	Total
Revenues	\$ -	\$ -	\$ -
Other Financing Uses			
Operating transfers to other funds	(16,641)	(21,124)	(37,765)
Deficiency of revenues over other financing uses	(16,641)	(21,124)	(37,765)
Fund balance - beginning	16,641	21,124	37,765
Fund balance - ending	\$ -	\$ -	\$ -



June 10, 2004

To the Members of the Township Board  
Township of Atlas

In planning and performing our audit of the general purpose financial statements of the Township of Atlas, Michigan for the year ended March 31, 2004; we considered its internal control system in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls. As a result of the aforementioned study, we became aware of several issues regarding compliance and internal controls that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 10, 2004, on the financial statements of the Township of Atlas.

### **Current Year Comments and Recommendations**

#### **CREDIT CARD POLICY**

The Township cannot locate a copy of the credit card policy believed to have been established in 1996. We recommend the Township Board readopt a current credit card policy concerning including authorized employees and uses. This policy should be distributed to all credit card holders.

On June 21, 2004 the Township adopted a credit card policy.

#### **TOWNSHIP BUDGET**

We noted the Township's budget did not include all items required by the Budget Act. The missing items included the beginning and ending fund balance for each year presented. The Uniform Budget Manual also requires the Township pass a general appropriations act or budget for the general fund and each special revenue fund. The Township did not pass a budget for the Atlas Meadows Septic Fund for the year ended March 31, 2004. The Budget also did not state the mills to be levied and the purpose for each millage levied, as required by the Act.

#### **BANK ACCOUNT AUTHORIZATION**

The new bank account opened during the year for the Atlas Meadows Septic fund was not noted as approved in the board minutes.

We recommend all new bank accounts be approved by the Township Board and documented as such in the minutes.

#### **ELECTRONIC FUND TRANSFER POLICY**

Our procedures noted no policy regarding electronic fund transfers.

We recommend a policy be established in accordance with State of Michigan requirements.

## ACCOUNTING POLICY AND PROCEDURES MANUAL

We suggest the Township Board appoint a committee to begin a process to document policies and procedures relating to accounting, record keeping, investments, credit cards, and financial decision making. We would encourage the Township Board to take an active role in the development policies and procedures that are specific to your Township to ensure consistency in financial record keeping and reporting into the future.

## CAPITALIZATION OF FIXED ASSETS

Our procedures noted no system for tracking fixed assets owned by the Township.

We recommend the Township establish a system of fixed asset records. The Township will need to prepare an inventory of the capital assets owned by the Township and the related historical cost or estimated historical cost if the actual is unavailable. These records will need to be updated as assets are purchased or disposed. The Board should also establish a capitalization threshold. All purchases over this threshold should be capitalized and those under will be expensed in the current year.

## CURRENT TAX COLLECTION ACCOUNT

Our procedures noted several items regarding this fund. In the prior year, a large balance was carried forward from prior years listed as due to other schools and local governments that we were unable to determine if and to whom these amounts are owed. We recommend this amount be transferred to the general fund if these funds are not owed to another entity.

We also recommend that the tax collection account maintain a zero balance at a specified period of the month to ensure timely and accurate distribution of tax revenue proceeds.

## PETTY CASH

We noted that cash sales have been intermingled with petty cash. We recommend that a receipt be prepared for each cash sale and recorded in the financial records of the Township as revenue. The petty cash fund should be established as a fixed amount that is expected to be adequate for present needs. To reimburse the fund, a check should be drawn in an amount equal to the paid receipts and supported by expense receipts with a document indicating proper account distribution. These documents should then be approved by an authorized person when the check is presented for signature.

GASB 34 – NEW REPORTING MODEL

The Government Accounting Standards Board has issued GASB 34 "Basic Financial Statements – and Management's Discussion Analysis – for State and Local Governments." The pronouncement will have a significant impact on external reporting. Changes to the audited financial statements will include the following:

- Management's discussion and analysis, including a narrative introduction and analytical overview of the financial information;
- Presentation of the final amended budget, along with the original budget; and
- Recognition of all fixed assets, with an initial value per item, including infrastructure. All fixed assets will be recorded at historical value and depreciated over the assets' useful life.

It will be effective for the fiscal year ending March 31, 2005. We recommend that the Township begin procedures to implement GASB 34.

We recommend the following for fiscal year 2004-05:

Determine who will be responsible for the fixed asset records.

Begin maintaining fixed asset records, including information to be tracked and the process to be used for additions and deletions. Determine depreciation methods and useful lives.

Identify fixed assets acquired during the year.

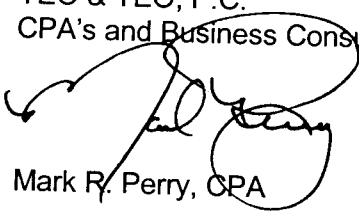
This report is intended solely for the use of management and should not be used for any other purposes. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Township Board, is a matter of public record.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or to assist you in implementing any of these matters or other accounting or reporting issues for which you would like additional information or guidance.

We are grateful for the opportunity to be of service to the Township and would appreciate any referrals and/or recommendations you might have for ways that we can improve our service to you.

Sincerely,

YEO & YEO, P.C.  
CPA's and Business Consultants



Mark R. Perry, CPA

MRP:mg